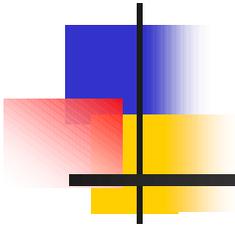




**Who is responsible for Federal
financial aid at your
institution?**

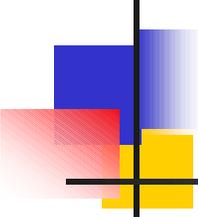


**Everyone – it is an
institutional
responsibility!**

Cash Management

03/04 FSA Handbook,
Vol. 2, Chapter 5





CASH MANAGEMENT PURPOSES

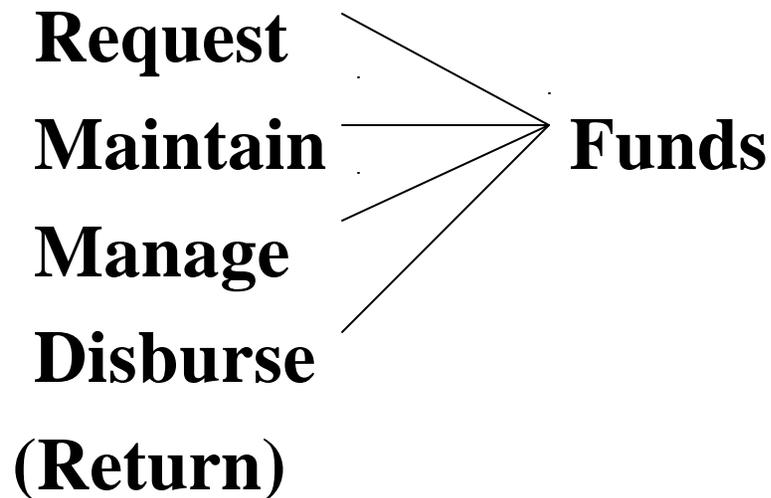
- Promote Sound Cash Management
- Minimize Costs to Federal Government
- Minimize (Loan) Costs to Student

CASH MANAGEMENT

34 CFR 668.161 – 167

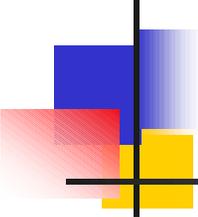
SUBPART K

- **For Title IV HEA Programs,
the Institution has to:**



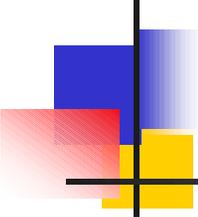
REQUESTING FUNDS

(34 CFR 668.162)

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- **Secretary has Sole Discretion**

Payment Methods

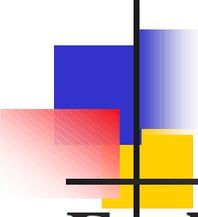
- **Advance**
- **Just-in-Time (pilot)**
- **Reimbursement**
- **Cash Monitoring**



ADVANCE PAYMENT

(Direct Loan, Pell, Campus-Based)

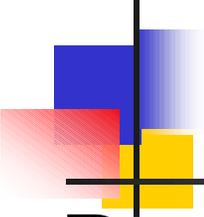
- **Institution requests funds from Secretary**
- **For amount needed immediately for disbursements made or to be made**
- **Secretary initiates EFT**
- **School disburses within 3 business days**
 - **FFEL loans** - cannot ask the lender to provide the Stafford or PLUS loan funds any sooner than 3 days before the earliest date that the school is allowed to pay the funds to the student (34 CFR 668.167).

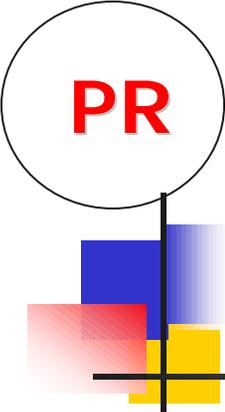


Grants Administration and Payments System (GAPS)

- Each time a school requests funds from the Department, the school must identify the amount of funds requested by FSA program using the program and fiscal year designation (grant award number)
- Ability to request payments, adjust drawdowns, etc.
- Continuous access to current grant and payment information, such as authorization amounts, cumulative drawdowns, current award balances, & payment history
- Training online (GAPS Payee's Guide)
- Features view only access
- Questions - <http://e-grants.ed.gov> or 888-336-8930.

Maintaining and Accounting for Funds

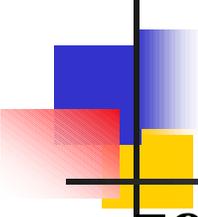
- 
-
- **Bank or investment account**
 - **Federally insured, or**
 - **Secured by collateral**
 - **Identify that Title IV funds are in account**
 - **“Federal Funds” in name, or**
 - **Notify Bank or I.A. and retain record, and (except for a public institution) file UCC-1 and maintain copy**
 - **Not required to maintain separate bank accounts (unless specified by the Dept.)**



PR

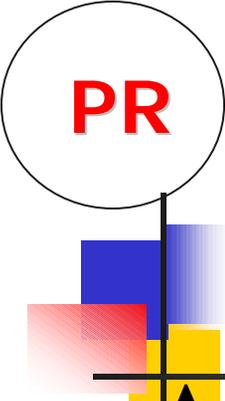
Interest-Bearing or Investment Account

- **Perkins Fund §674.8(a)**
- **Direct Loan, Pell, FSEOG, & FWS program funds,**
unless –
 - Institution drew down < \$3 million in prior and current award year,
 - Institution will not earn > \$250, (any funds earned over \$250 must remitted to the Dept. by June 30 of that award year);
or
 - Institution uses Just-In-Time method
- **Funds in an Investment Account must be in low risk,**
income producing securities



Accounting & Internal Control Systems

- **If not required and do not maintain separate accounts:**
 - **Identify Cash Balances (as if in separate accounts)**
 - **Identify Earnings**
 - **Financial Records per §668.24**
 - **Reflect each Title IV program transaction**
 - **General ledger control accounts & related subsidiary accounts**



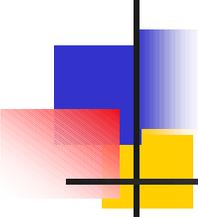
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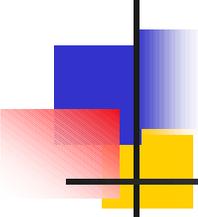
EXCESS CASH

- Any amount not disbursed by end of the **3rd business day** (except for Perkins)
- Institution may maintain excess cash if
 - In previous award year, the excess cash was:
 - (for peak enrollments)
< 3% of its total prior year drawdowns
 - (for other periods)
< 1% of its total prior year drawdowns, and
 - The excess cash must be eliminated within the next 7 days

DISBURSING FUNDS

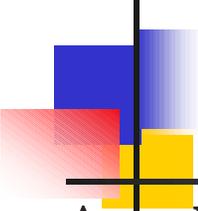
(34 CFR 668.164)

- 
-
- **Funds are disbursed (on a payment period basis) when a school credits a student's account with funds or pays a student/parent directly with:**
 - FSA program funds received from the Department,
 - FFEL funds received from a lender, or
 - **Institutional funds labeled as FSA program funds in advance of receiving actual FSA program funds - unless**
 - If institution credits account early with institutional funds, the TIV disbursement is considered to be made on the 10th day before, or 30th day after.
 - A memo entry for billing purposes (estimated Pell Grant) does not become a TIV disbursement until the posting is converted to an actual credit



CREDITING STUDENT'S ACCOUNT

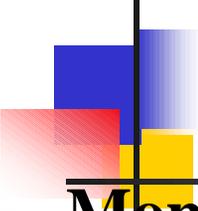
- Without authorization
 - **Current tuition and fees**
 - **Current room & board charges (contracted)**
- With written authorization
 - **Additional current (educational) charges**
 - **Prior year charges (less than \$100 or amount that does not prevent payment of current educational expenses)**



Paying a Student/Parent Directly

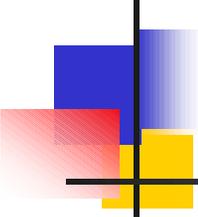
A school may disburse funds *directly* by one of four methods:

- releasing a check provided to the school by a FFEL program lender to the student or parent;
- issuing a check or other instrument payable to and requiring the endorsement or certification of the student or parent (a check is issued if the school releases or mails the check to a student or parent, or notifies the student or parent that the check is available for immediate pickup);
- initiating an electronic funds transfer (EFT) to a bank account designated by the student or parent; and
- paying the student in cash, provided that the school obtains a signed receipt from the student or parent



Disbursing FFEL Funds

- **Money should be disbursed w/n 3 business days (EFT / Master Check) or w/n 30 days, if check payable to borrower (initial period)**
- **If a school expects a student who is temporarily ineligible to become eligible for payment in the immediate future, the school has an additional 10 business days to disburse the funds (conditional period)**
- **Funds must be returned by the end of the initial or conditional period, as applicable, no later than 10 business days from the last day allowed for disbursement (if a student becomes eligible to receive FFEL funds during the return period, the school may disburse those funds provided that the disbursement is made on or before the last day of the return period)**

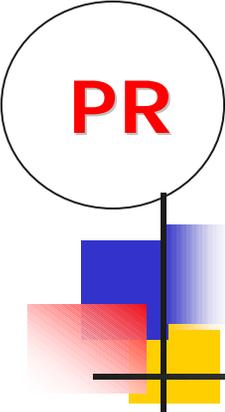


School Debit or Smart Card

Fees prohibited

- **Schools are prohibited from charging students a fee for delivering Title IV FSA funds. If a school delivers FSA funds to students by crediting funds to a school issued debit or smart card, the school may not charge students a fee for making withdrawals of FSA program funds from that card.**

(03/04 FSA HDBK, Vol. 2, page 96)



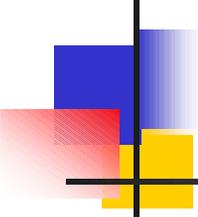
PR

Early Disbursements

(34 CFR 668.164(f))

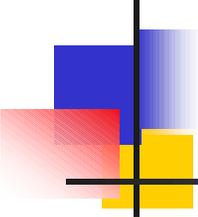
The earliest a school may disburse FSA program funds is:

- **Credit-hour program offered in semester, trimester, or quarter academic terms - 10 days before the first day of classes for a payment period;**
- **Clock hour program or a credit hour program that is not offered in semester, trimester, or quarter academic terms - the later of 10 days before the first day of classes for the payment period, or the date the student completed the previous payment period for which he or she received FSA program funds**
- **For first-time borrower, first year undergraduate students (under the FFEL or Direct Loan program), a school may not disburse the first installment of his or her loan until 30 days after the student's first day of classes.**



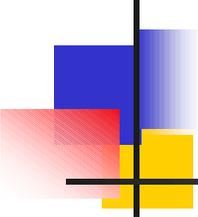
LATE DISBURSEMENTS

- **Ineligible students**
 - **FFEL and DL** – no longer 1/2 time
 - **Pell, SEOG, & Perkins** – no longer enrolled
- **Qualify if, before the student was ineligible,**
 - **(Except for PLUS loans) SAR/ISIR with official EFC processed &**
 - **FFEL & DL** – loan certified / originated
 - **Perkins & FSEOG** – made the award
 - **Pell** – need valid ISIR/SAR to pay funds



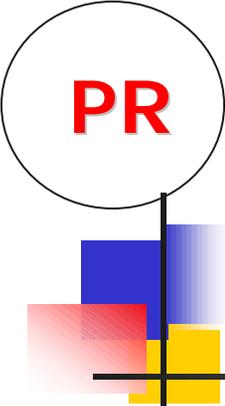
LATE DISBURSEMENTS

- **Student withdraws – must make required post-withdrawal disbursement**
- **Student completes – must credit, pay, or offer the amount the student was eligible for while enrolled**
- **For FFEL and DL, where student $< \frac{1}{2}$ time, - may disburse for costs incurred while student was eligible**



LATE DISBURSEMENTS

- **Generally must be within 120 days of**
 - Date institution determined student withdrew
 - Date the student otherwise became ineligible
- **Exception, with the approval of the Secretary,**
 - May make after 120 days if it was not student's fault
 - Send request to jeff.baker@ed.gov
- **FFEL / DL**
 - No 2nd late disbursements, unless student completed
 - No late disbursements for 1st yr, 1st time students, unless 30 days completed

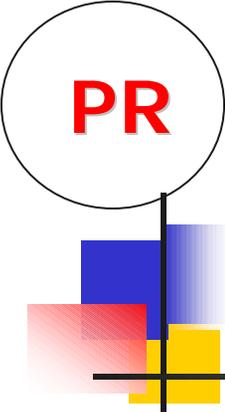


PR

FSA CREDIT BALANCES

An ***FSA credit balance*** occurs only if the total amount of FSA program funds exceeds allowable charges.

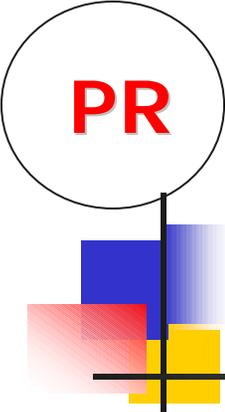
- **Must pay the excess FSA program funds (the credit balance) directly to the student as soon as possible, but no later than 14 days after the later of:**
 - the date the balance occurred on the student's account; or
 - the first day of classes of the payment period if the credit balance occurred on or before the first day of class of that payment period
- **Department does not specify how a school must determine which FSA program funds create an FSA credit balance**



PR

Holding Credit Balances

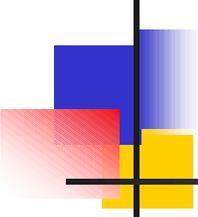
- **Institution must**
 - Obtain student/parent authorization
 - Identify amount of funds in a subsidiary ledger acct.
 - Maintain cash in its bank account = the amount of funds it is holding for the students
 - **Pay loan funds by the end of the loan period and pay other funds by the end of the last payment period in the award year**
 - If student can't be located, must return credit balance to the Department or Lender (encouraged to send loan funds first)
- School is permitted to retain interest earned on student credit balance funds



PR

STUDENT AUTHORIZATIONS

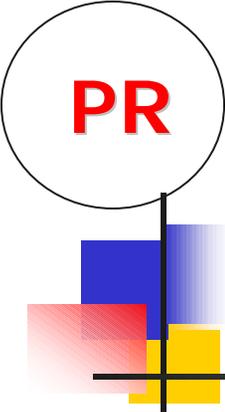
- **Student may authorize the institution to**
 - **Disburse funds to student's bank account**
 - **Pay for charges other than tuition & fees, room & board**
 - **Hold credit balances**
 - **Apply FSA funds to prior-year charges**
- **Unless otherwise specified, authorization is valid for the entire period that the student is enrolled at the school**
- **A school may include two or more of the items that require authorization on one statement (must be informed that he or she may refuse to authorize any individual item on the statement)**



AUTHORIZATIONS (CONTINUED)

- **Institution**

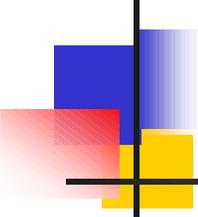
- **May not require or coerce the student to give one**
- **Must allow the student to cancel or modify it**
- **Must explain how it will carry out the activity**
- **May not use funds to pay for “other” charges incurred after the student cancels an authorization to pay for such charges**
- **Must pay the student as soon as possible, but no later than 14 days after the student cancels an authorization to hold funds**



PR

Required School Notifications

- **Before disbursement (award letter):**
 - Amount, how, and when to be disbursed
 - Amounts Subsidized and Unsubsidized
- **When crediting account with loan funds a Notice must be sent in writing that includes:**
 - Date and amount of disbursement
 - Student's right to cancel loan
 - The procedures and timeframe for canceling
 - No earlier than 30 days before, and
 - Not later than 30 days after crediting the account



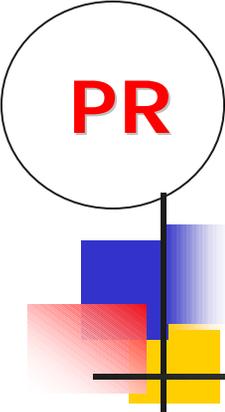
Required School Notifications

- **Institution must return loan proceeds/cancel loan if it receives a cancellation request:**
 - **Within 14 days of date institution sent notice regarding student's right to cancel**
 - **By the 1st day of the payment period if institutional notice is sent more than 14 days prior to 1st day of the payment period**
- **Institution may return loan proceeds/cancel loan after the 14 days have passed**
- **Institution must inform the student of the outcome**

Reconciliation

34 CFR 668.14(b)
June 2001 Blue Book,
Chapter 5





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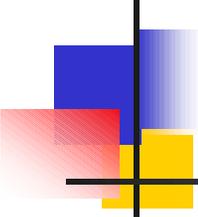
Reconciliation

- **Balancing of Title IV dollar amounts between *Department Records* (GAPS reports, Pell year-to-date, DL school account statement, COD reports, FISAP...), *Bank Statements*, and *School Records* (general and subsidiary ledgers)**
- **Clear Audit Trail – documentation supporting each transaction involving receiving, expending or returning federal funds**
- **Individual drawdowns or year-end totals**
- **How often do you reconcile?**
 - **Monthly (required for DL)**

Campus-Based Funds



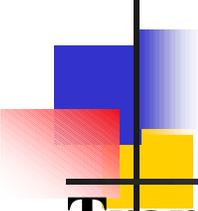
03/04 FSA HDBK,
Volumes 4,5,6,7



Campus-Based Funds

(Perkins, FWS, FSEOG)

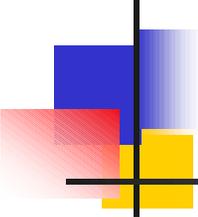
- **FISAP on the Web - <http://cbfisap.sfa.ed.gov>**
 - Due 10/1 of each year
 - Campus-Based Call Center - 877-801-7168
- **Administrative Cost Allowance (ACA) - calculated properly (up to 5% based on expenditures)**
- **Institutional matching requirements:**
 - Perkins – 1/3 of the FCC or 25% of combined ICC & FCC
 - FWS – 25% of student wages (may be noncash contributions)
 - FSEOG – 25% of grant (may include other resources)
 - Matching amounts may differ due to waivers, reading tutors, non-profit organizations...



Campus-Based Funds

(Perkins, FWS, FSEOG)

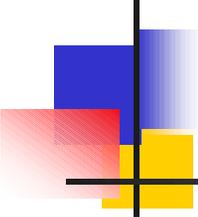
- **Transfer of Funds**
 - **FSEOG – cannot be transferred to any other program**
 - **FWS – up to 25% of total allocation to FSEOG**
 - **Perkins – up to 25% of FCC to either or both FWS & FSEOG**
- **If a school returns more than 10% of its allocated funds in any campus-based program, the Dept. will reduce the school's program allocation for the second succeeding award year by the dollar amount returned (unless a waiver is granted)**
- **Must keep records relating to the campus-based program for three years after the end of an award year for which the aid was awarded and disbursed**
- **Must keep the FISAP and any records necessary to support the data contained in the FISAP, including “income grid information,” for three years after the end of the award year in which the FISAP is submitted.**



Campus-Based Funds

(Perkins, FWS, FSEOG)

- A student does not have to be enrolled at least half time to be eligible to receive aid through the campus-based programs (unless seeking aid to attend a teacher certification or professional credential program)
- Undergraduate, graduate, or professional student is eligible to receive Perkins and Federal Work-Study funds
- Only undergraduate students who do not have a baccalaureate or first professional degree are eligible to receive FSEOGs

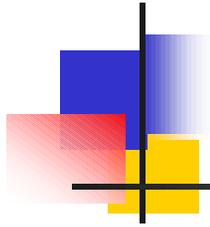


Campus-Based Funds

(Perkins, FWS, FSEOG)

- **Must make campus-based funds reasonably available to all eligible students who demonstrate financial need**
- **Perkins and FSEOG require eligible students to have exceptional financial need**
- **If a school's campus-based allocation is directly or indirectly based in part on the financial need of less-than full-time or independent students, then a school is required to offer a reasonable proportion of campus-based funding to such students**
- **A policy of exclusion for less-than-full-time or independent students is not acceptable**

Campus-Based Funds (Perkins, FWS, FSEOG)

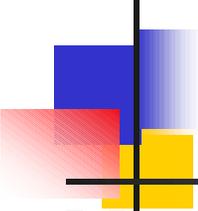


$$\begin{array}{r} \text{Financial Need} \\ (-) \text{ Aid from other FSA} \\ \text{programs and resources} \\ \hline = \text{Maximum} \\ \text{Campus-Based Aid} \end{array}$$

- There is a \$300 overaward threshold for all campus-based programs
- **The \$300 threshold is allowed only if an overaward occurs after campus-based aid has been packaged**
- The threshold does not allow a school to deliberately award campus-based aid that, in combination with other resources, exceeds the student's financial need

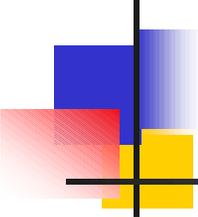
Federal Perkins Program

(03/04 FSA HDBK, Vol. 5)

- 
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- Must keep repayment records for Perkins Loans, including records relating to cancellation and deferment requests for at least three years from the date a loan is repaid, cancelled, or assigned to the Department.
 - **Must keep the original signed promissory note and repayment schedule in a locked, fireproof container**
 - Annual maximum loan:
 - Undergraduate: \$4,000
 - Graduate: \$6,000
 - Aggregate maximum loan:
 - Undergraduate: \$20,000 (\$8,000 if two academic years of undergraduate work not completed)
 - Graduate: \$40,000 (including undergraduate loans)

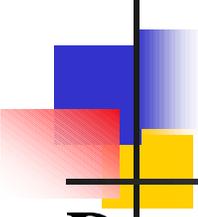
Federal Perkins Program

(03/04 FSA HDBK, Vol. 5)

- 
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- **Dear Colleague Letters - CB-03-14; CB-03-11**
 - **Implementation of Perkins MPN**
 - **May choose to use the Perkins MPN as a single-award year promissory note or as a multi-award year promissory note**
 - **May be used for award years beginning on or after July 1, 2003**
 - **Must be used beginning with all new loans made on or after November 1, 2004**
 - **Word format MPN attached to DCL**

Federal Perkins Program

(03/04 FSA HDBK, Vol. 5)

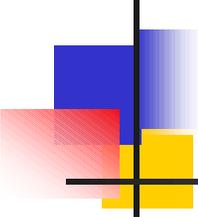


■ Due Diligence

- Entrance/Exit Counseling
- Borrower contact during grace period
- Billing procedures (late charges)
- Address searches, skip-tracing
- Collection procedures (notification to credit agencies)
- Deferments/Cancellations granted properly
- Valid promissory notes on file and secured
- Relationship with 3rd party servicer

■ High Default Rates

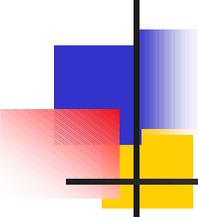
- Cohort default rate 25% or higher, no FCC
- **3 years over 50% - loss of Perkins (starting with 2000-2001)**



Federal Work-Study Program

(03/04 FSA HDBK, Vol. 6)

- Must use **at least 7%** of its FWS federal allocation for an award year to pay the federal share of wages to students employed in community service jobs for that year
- And at least one FWS student must be employed as a reading tutor for children or performing family literacy activities
- Student must be paid minimum wage (state or federal whichever is higher) and at least **once a month**
- Upon obtaining written authorization from a student, a school may credit FWS payments directly to the student's account



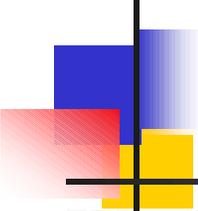
Federal Work-Study Program

(03/04 FSA HDBK, Vol. 6)

- Maintain documentation to support work, earnings and payroll transactions (job descriptions, certifications...)
- Supervisor certification supporting hours worked and amount earned **(if paid hourly, indicate time clock sequence or total hours per day)**
- May use electronic certification process with safeguards
 - password protection; password changes at set intervals; access revocation for unsuccessful log-ins; user identification and entry-point tracking; random audit surveys with supervisors; and security tests of the code access

Federal Work-Study Program

(03/04 FSA HDBK, Vol. 6)

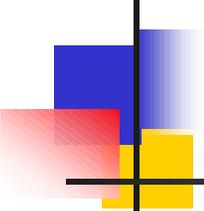


■ Work for Proprietary School

- Jobs in community service, may be either on or off campus
- Jobs that are not in community service, must be on campus -
 - provide student services that are directly related to the FWS student's training or education;
 - not involve soliciting potential students to enroll at the proprietary school; and
 - Try to complement and reinforce student's educational program
- Student services may include: jobs in financial aid, library, peer guidance counseling, job placement, teaching assistant, security
- Student services never include: facility maintenance, cleaning, purchasing, public relations

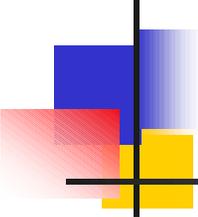
FSEOG

(03/04 FSA HDBK, Vol. 7)

- 
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- **Minimum - \$100**; maximum - \$4,000 for academic year at your institution
 - **Must first award FSEOG to those students with exceptional financial need (lowest Expected Family Contributions (EFCs) who will also receive Federal Pell Grants)**
 - May establish categories of students for FSEOGs
 - Categories may be based on class standing, enrollment status, program, date of application, etc.
 - Categorization may not be used to exclude certain students or groups of students from consideration

Institutional Improvement Specialists

(email – firstname.lastname@ed.gov)



- **Tracy Nave - 617-223-4329; (Boston)**
- **Steven Tessitore - 212-637-6426; (New York)**
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- **Lisa Joy Huynh - 415-556-4189; (San Francisco)**
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